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ACCOUNTABILITY REPORT

COMPASSION INTERNATIONAL, INC. AND AFFILIATES

UNPRECEDENTED

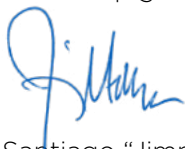
That word has been spoken often and well summarizes what Compassion International, and undoubtedly the entire world, has experienced in 2020. And as an organization dedicated to releasing children from poverty in Jesus' name, the challenges that COVID-19 is posing to the poor have only strengthened our resolve to reach even more children at an accelerated pace.

Two years ago, we began laying the foundation for a multiyear strategic plan that would advance our ministry approach to meet growing global complexities while also discovering new innovations for the future and for increased efficiency and effectiveness. We are humbled that God has entrusted over 2 million precious children across 25 countries into our care and are grateful beyond words for our faithful supporters and dedicated church partners who serve as the hands and feet of Jesus in this life-transforming work. However, with an estimated 570 million children living on or below \$3.20 per day within the countries currently feasible for Compassion to reach, we are only addressing 0.4% of the need.¹ We can and must do better.

Today, with current estimates that the socioeconomic impacts of COVID-19 will push up to 115 million people into extreme poverty by the end of 2021, the need for Compassion to reach more children in less time is a moral imperative that has only become more urgent.² There is no lack of need. But sadly, funding constraints force us to say no to 80% of the frontline churches who want to partner with us in caring for the children of their communities. With hundreds of millions of people committed to living out the teachings of Jesus to love and serve the poor and having adequate levels of wealth to be part of the solution, we're confident there are sufficient resources to meet the needs of exceedingly more children. And while we strive in our capacities to build a bridge to the future that is robust enough to help the resources reach those needs, we will continue to trust God to multiply our efforts as only he can.

In the pages that follow, you'll read more about the heart that motivates our work and the mechanisms that enable it, as well as some risks we face and the mitigations we've enacted. We're also extremely thankful to share our fiscal year results that, especially in this year of unimaginable global disruption, are indeed unprecedented.

With deep gratitude for God's blessing and provision,



Santiago "Jimmy" Mellado
President and CEO, Compassion International

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WHO COMPASSION IS

Compassion International and its wholly owned and controlled affiliates (collectively, Compassion) is a child advocacy ministry pairing compassionate people with children living in extreme poverty to release the children from spiritual, economic, social, emotional and physical poverty.

Compassion traces our beginning to 1952, when an American evangelist, the Rev. Everett Swanson, saw the plight of Korean War orphans while on a tour in South Korea. Upon his return home, Swanson established a program through which caring people could sponsor children in need for a few dollars a month. In turn, those children would be provided benefits, including food and clothing as needed, education, health care and Christian training. That historic program continues to be the basic model for Compassion's child development program.

Compassion takes a long-term approach to child development by investing in and for the life of each child. Through our holistic child development model, we provide physical, socioeconomic and spiritual care together to help children in poverty fully mature in every facet of life and transcend what is often a generational legacy of poverty. Compassion delivers whole-life care, by way of our frontline church partners, that is personal, individualized, relational and tailored to the child's age, gender, health, culture and family situation.³

WE RECOGNIZE THAT EACH
PERSON HAS AN IMPORTANT
FUNCTION IN GOD'S WORK

MISSION — Compassion is on a mission to release children from poverty in Jesus' name. While Compassion has made tremendous progress in poverty alleviation since 1952, there is still much work to be done. There are still over 570 million children living in poverty¹ – and experts believe that the COVID-19 pandemic may reverse decades of progress in curbing global poverty.²

CORE STRATEGY — Simply stated, Compassion's core strategy is to join God in the holistic development of children in poverty by serving our stakeholders' callings to unleash their connected potential to transform lives.

Compassion is part of God's work of developing the whole child living in poverty. This is accomplished by, first, working where God has placed Compassion. This is his work, and Compassion's ministry depends on his continued direction. But Compassion has also heard his call to unconditionally serve others in this mission. Thus, Compassion works to serve others whom God has called to this work. We recognize that each person has an important function in God's work and that in working together, people will accomplish more than they might expect or imagine. Finally, in all of this, Compassion knows that each person's life will be transformed as they serve in God's work.

CORE VALUES — Compassion aspires to be a Jesus-centered environment serving our stakeholders' callings. As such, our core values are:

INTEGRITY God desires his people to live undivided lives where heart, soul, mind and body are consistently working together to increasingly reflect the character of Jesus in all settings and circumstances. Thoughts, words and actions are to be congruent and reliable.



DISCERNMENT God guides his people in multiple ways (through Scripture, prayer, wise counsel, expertise) to make community-affirmed decisions as they pursue God's will in accomplishing his mission together.

DIGNITY Each person is created in God's image and bears God's likeness. Compassion seeks to reflect the example of Jesus in showing honor, respect and love to all people.

STEWARDSHIP All resources entrusted to Compassion (people, time, money, knowledge, reputation and materials) are precious to our mission. Therefore, all resources are protected and deployed with great care and wisdom to maximize both short- and long-term impact.

EXCELLENCE This is not perfection but rather doing the very best with the resources on hand to advance the mission. Excellence honors God and inspires people.

WHAT COMPASSION DOES

In service to our mission, Compassion helps develop children into all God intends them to be. Holistic child development equips children today with skills to succeed tomorrow. This development provides opportunities that encourage the healthy development of all aspects of a child — physically, economically, socially, spiritually and emotionally.

Holistic child development means we begin assisting a child in poverty, in some cases, when the child is still in the womb, and we continue all the way through his or her young adulthood.

Holistic child development requires a long-term approach and goes beyond simple involvement in the life of a child. It involves long-term dedication and perseverance, and it changes as a child's needs change. This is why our work is tailored to a child's age, gender, health, culture and family situation.

COMPASSION
PROVIDES RESOURCES
TO HELP 2.2 MILLION
AT-RISK CHILDREN

Compassion provides resources to help 2.2 million at-risk children living in debilitating poverty inside 25 countries spread throughout Africa, Asia, Central America, the Caribbean and South America. For 68 years, Compassion has walked alongside local partners to mobilize, build capacity and engage resources to implement programs and interventions, such as vocational training and prenatal care, that positively impact the lives of children living in poverty. Compassion works primarily with local church partners (over 8,000 currently), believing that local churches are lasting pillars in their communities and are best positioned to understand and meet the needs of children in their unique contexts.

As a respected international development actor, Compassion's development work with local church partners is consistent with and supportive of the sustainable development goals that are championed by the governments of countries where Compassion is operational — particularly in the eradication of poverty and addressing issues related to food security, good health and well-being, quality education, clean water and sanitation, and gender equality. Furthermore, Compassion is a leading authority in holistic child development within the international development sector. Child development means that each child, assisted by their local church partners, receives whole-life care that is personal, indi-



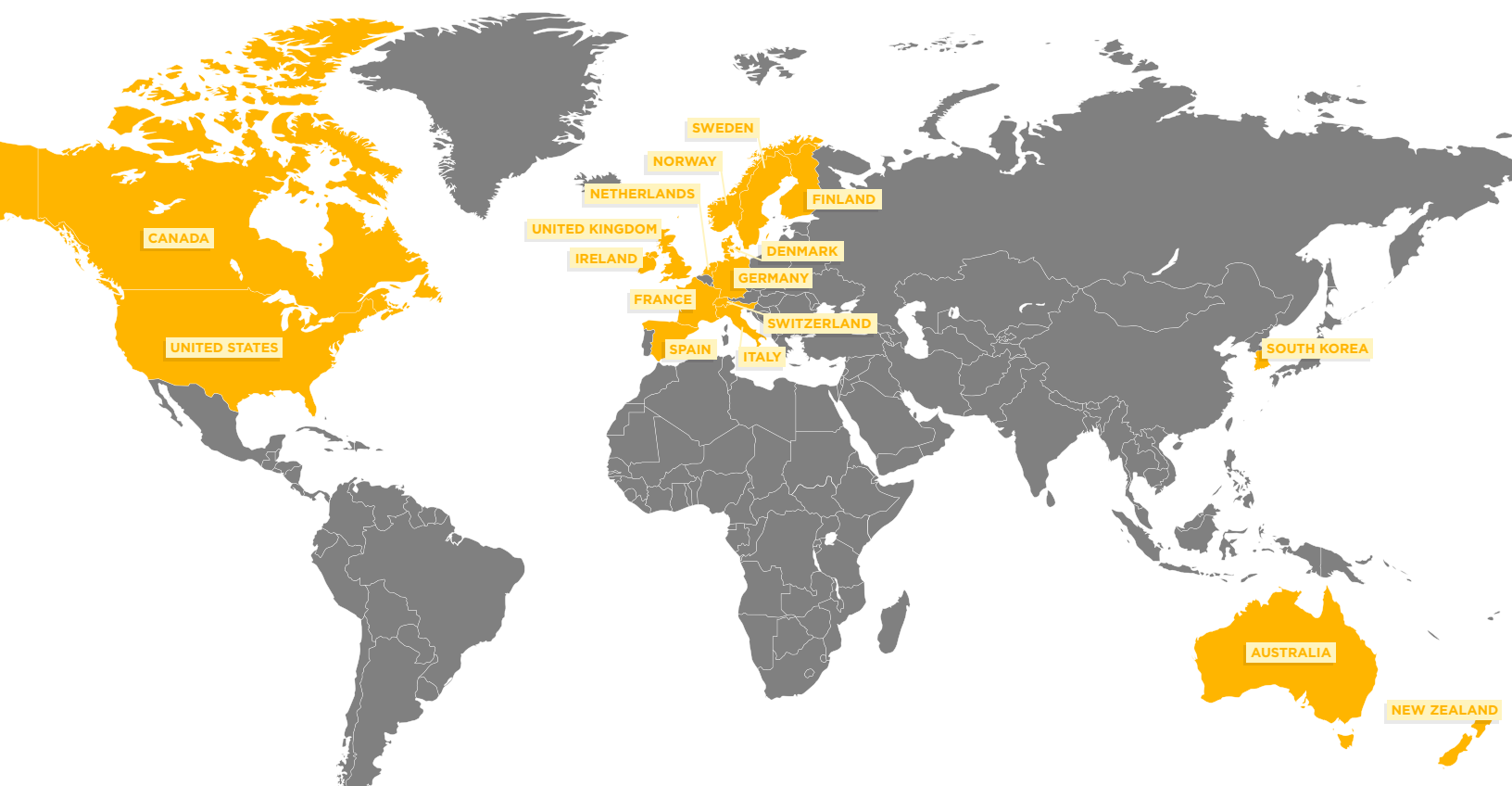
visualized, relational and tailored to the child's age, gender, health, culture and family situation. Compassion's focus on children living in poverty involves a commitment to long-term involvement in a child's life supporting their physical, cognitive, emotional and spiritual needs. It is an investment in and for the life of the child. Further, Compassion provides these unconditional and loving interventions to a diverse group of children living in poverty regardless of their gender, race, ethnicity, culture or religion and never uses ministry services to coerce or manipulate a child to convert to a specific religion.

Compassion operates in the \$400 billion development and relief space.⁴ We rely on a broad group of over 1.5 million individuals, groups and organizations to support our global operations. This support takes many forms, including direct financial support, advocacy and influence, volunteer time and various other monetary and nonmonetary resource gifts that support the mission. This broad base is unique in the development space and is one of the keys to our stability in providing programs to help children. Compassion raises support in the United States and globally through an alliance with 11 unaffiliated international organizations (Global Partner Alliance, or GPA) in predominantly affluent countries. This global reach also provides stability to the various forces that affect the ability to generate support.

**THIS BROAD BASE IS UNIQUE
IN THE DEVELOPMENT SPACE**



COMPASSION'S GLOBAL PARTNER ALLIANCE (GPA) is a covenant charter composed of 12 members serving supporters in 17 countries — Australia, Canada, Denmark, Finland, France, Germany, Ireland, Italy, South Korea, the Netherlands, New Zealand, Norway, Sweden, Switzerland, Spain, the United Kingdom, and the United States — with the unified purpose of providing holistic child development and living out the teachings of Jesus to love and serve the poor. The GPA is not an entity but rather the means by which multiple entities accomplish a shared purpose.



Compassion International does not control or own any member of the GPA. Each is independent, raises its own funds and has its own governing board. Each has agreed to share funding with Compassion International in order to access Compassion's programming. In fiscal year 2020, International Partner contributions totaled just over 22% of the consolidated revenues of Compassion International. In this way, GPA partners with and supports Compassion-assisted children and Compassion's partner churches. Because each member of the GPA is independent and subject to its own individual country's oversight, they are all independently accountable to local governments and donors.

In today's environment, the development and relief space (along with all industries) faces a global pandemic, the scale and scope of which has never been experienced. The global trends impacting children for decades continue unabated: violence and war, abuse and trafficking, food scarcity and crop risks, child labor and economic exploitation, education and gender inequalities, water and sanitation needs, family displacement and migration, orphaning, mental health, health care and medical needs, disasters, and a host of environmental threats, all alongside an enduring hunger for the gospel. These pressures — which adults recognize and struggle with — impact children even more severely and in ways that can last a lifetime. Compassion will continue to stand up for and serve these children, even as the COVID-19 pandemic exacerbates these “normal” challenges.

THE GLOBAL TRENDS
IMPACTING CHILDREN
FOR DECADES
CONTINUE UNABATED

WAYS TO PARTNER

COMPASSION VOLUNTEERS — More than 25,000 individuals volunteered with us in fiscal year 2020. Each one gave of their time and talents to make a difference for children in poverty. Volunteers worked at live events, at our headquarters in Colorado Springs and on our translation team.

COMPASSION AMBASSADORS — Compassion Ambassadors are professional artists, speakers, athletes and influencers who have a God-given gift and passion to share their faith and help share God's heart for the poor and the church's responsibility to care for them. They present Compassion's ministry at live concerts, conferences, festivals, churches, on podcasts and through their social media networks to invite their audiences into supporting children through Compassion. We currently partner with over 300 ambassadors, who collectively helped over 100,000 children connect with sponsors in fiscal year 2020.

CHURCH ENGAGEMENT — Compassion has mutually beneficial relationships with nearly 18,000 U.S. churches. Our role is to help churches connect their congregants to the developing world, present an opportunity to follow Christ's example of compassion and empower congregants to impact children — at home and around the world.

INDIVIDUAL SUPPORTERS — More than 1.5 million individuals took the opportunity in fiscal year 2020 to help release children from poverty in Jesus' name, either by 1-to-1 sponsorship, donations to mission critical priorities, or a combination of the two.

CORE PROGRAMS



CHILD & YOUTH DEVELOPMENT — Our work is to facilitate a network of caring individuals both local and far away whom Compassion works to know, love and connect with in order to protect and enable positive development in children and youths who live in contexts of poverty. Youth outcomes are the holistic attributes we believe make it possible for a young person to be released from poverty and reflect a thriving and abundant life. They enable youths to pursue their full potential and make positive differences for others so they, too, thrive. Well-being, youth agency, self-sufficiency and spiritual development are some of our key themes within the youth outcomes. In addition, we believe that child protection is an essential condition that enables progress toward these outcomes.



SURVIVAL PROGRAM — The Survival Program focuses on the health and survival of mothers and babies during the most vulnerable time of the baby's life — prenatal through age 1. The program provides prenatal care, assistance at birth, medical care for babies and mothers, and education on critical child development skills. The program is a lifeline when children are most vulnerable to disease and malnutrition.



SUPPLEMENTARY GRANTS — Compassion's supplementary grants (what we refer to as Complementary Interventions or CIVs) provide a wide range of opportunities to engage in the fight against poverty. They eliminate barriers to holistic child development by meeting critical needs, equipping beneficiaries for productive lives, empowering caregivers to increase household stability and extending local church partners' ability to release children from poverty. Funding for grants is separate and complementary to sponsorship funds and local resources, representing over 22% of total grants during fiscal year 2020.

There are two primary kinds of supplementary grants:

INDIVIDUAL These meet the prevention and development needs of beneficiaries to help them achieve outcomes. Examples include: Education; Vocational Training; Water, Sanitation and Hygiene.

ONGOING These support development by addressing treatment needs that arise during a beneficiary's life in the program. Examples include: Highly Vulnerable Children's Care;⁵ HIV/AIDS Care; Medical Assistance; Disaster Relief.



WHERE COMPASSION WORKS

All of Compassion's work happens through partnerships with thousands of local churches in 25 countries around the world. We partner with churches in Africa, Asia, Central America, the Caribbean and South America to provide children with the opportunity to rise above their circumstances and become all God has created them to be.

Compassion's church partners around the world, known as frontline church partners (FCPs), tailor our holistic child development model to the contextualized needs of the children in their communities to best deliver the whole-life care that the children we serve most need.

NATIONAL OFFICES — Compassion works in 25 countries. National offices serve as the hub in each nation where Compassion employees work and maintain their relationships with FCPs in that nation. National offices support our ministry in the field. Activities include building the capacity of the local church through facilitation to achieve outcomes, operational support, and marketing and fundraising activities.

AFRICA Burkina Faso, Ethiopia, Ghana, Kenya, Rwanda, Tanzania, Togo and Uganda



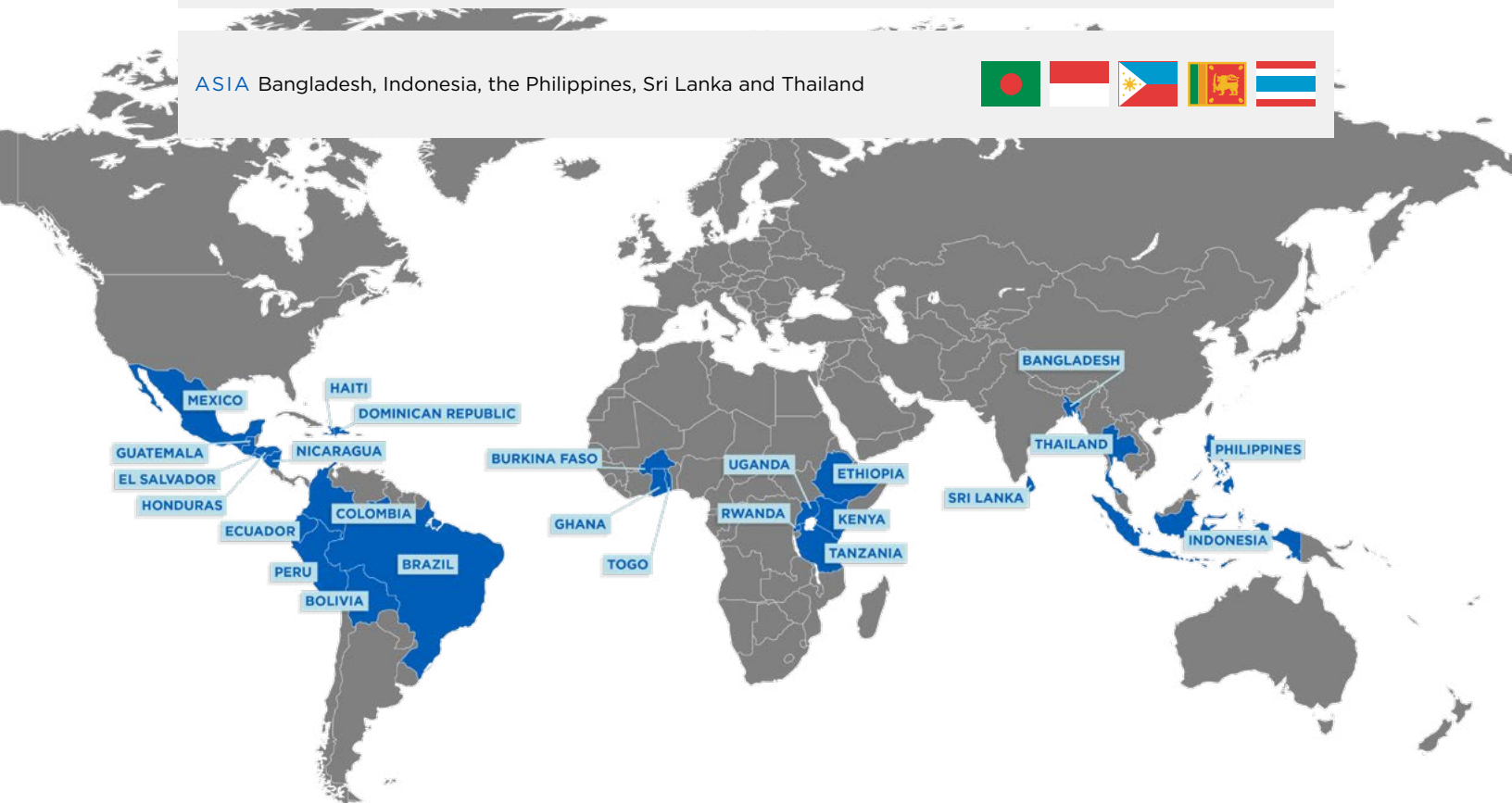
CENTRAL AMERICA AND THE CARIBBEAN
The Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Mexico



SOUTH AMERICA Bolivia, Brazil, Colombia, Ecuador and Peru



ASIA Bangladesh, Indonesia, the Philippines, Sri Lanka and Thailand



OVER THE PAST SEVERAL YEARS, COMPASSION INTERNATIONAL'S JOURNEY HAS BEEN TO MOVE FROM ACTIVITY AND OUTPUT MONITORING TO A MORE COMPLETE PICTURE OF THE DEVELOPMENTAL OUTCOMES NECESSARY FOR CHILDREN AND YOUTH TO THRIVE,

as well as understanding the causal attributes of our program's part in that journey. Moving toward a global outcomes framework and theory of change, we strive to provide the most targeted, effective programs possible to children and youths, and their families while maintaining the individualized nature of our program. Thus, we take extra care to account for context and provide robust outcome measurement and impact evaluation in order to more thoroughly understand the effects our program has on those we serve and ways to constantly increase effectiveness.

KEY PROGRAM METRICS AND OUTCOMES

As Compassion continues toward a sophisticated understanding of causal relationships in our program interventions, we are testing measurement tools and indexes within our contexts. Our Monitoring, Evaluation, Research and Learning (MERL) team continues to aspire toward excellence in class and was recently awarded the 2020 Society for Research in Adolescence award for excellence in research and programming for youth. While only the outcomes of children registered in our program are presented here, it should be noted that Compassion also regularly

samples a comparison group of children not registered in our program, within the communities where we work, to understand the amount of outcome attainment that can be attributed to our program and to also better target our programs to beneficiaries with whom we are able to make the largest impact.

WE STRIVE TO
PROVIDE THE MOST
TARGETED, EFFECTIVE
PROGRAMS POSSIBLE

The following summary is based on a representative sample of 16- to 19-year-olds within roughly half of Compassion's national offices. Unless otherwise stated, summary results are in line with the broader community averages indicating that the under-resourced youths in our programs are not falling behind and, in fact, are keeping pace with their peers. Compassion's outcome framework includes four areas: Capacity for Economic Self-Sufficiency, Youth Agency, Well-Being and Spiritual Development.



CAPACITY FOR ECONOMIC SELF-SUFFICIENCY — Defined as having motivation, skills and education to economically support themselves and others.



All beneficiaries who have exited our programs within the past year completed an average of **11.2** years of education, higher than the estimated global average of 7.7 years. For youths in particular, achieving higher levels of education continues to be one of the best predictors of future livelihood, lifetime income and advancement opportunities, with each year representing an additional **9.5%** in income generation later in life.



Youths in Compassion's partner churches were also attending postsecondary education at a rate of **15%**, as compared to 11% for youths outside of our programs.



Youths in Compassion's partner churches passed a literacy test at a rate of **85%** and a numeracy test at a rate of **41%**. Additionally, **43%** of beneficiaries showed strong critical thinking skills.

YOUTH AGENCY — Defined as youths having vision, skills and character to positively influence their context.



Youths in Compassion's partner churches are measured not only if they have a career plan and future vision for their lives (as almost 100% do), but also on whether they understand the steps to achieve their goals and are actively pursuing educational advancement and community change and are influencing others. **78%** of children registered in Compassion programs have shown large steps toward achieving their stated goals.



67% of youths in Compassion programs are currently engaged in activities in their communities that are leading toward positive change.



46% of children sampled scored above average on an altruism scale measuring their desire to help others in their community over themselves.

WELL-BEING — Defined as being physically and mentally healthy as well as having positive self-identity and relationships.



Compassion programs include two health care screenings a year, as well as individualized attention and tracking from church program staff checking in on the well-being of children in the program. On average, **62%** of youths in Compassion programs did not miss any school in the last year due to illness.



Relationships with both peers and adults are important for youth development and building trusting relationships, which is why our programs focus heavily on children building strong peer relationships and being individually known and mentored by trusting adults. **81%** of youths in Compassion partner churches report having a close peer to confide in, and **80%** report that they have a trusted adult in their lives.



When compared to peers, registered youths are **90%** less likely to experience violent forms of punishment in their homes.

SPIRITUAL DEVELOPMENT — Defined as contribution to and engagement with their community.



59% of youths indicate that they contribute to their environment by serving their churches or their community. This involvement reflects a significantly higher level of engagement than is seen among youths in the broader community.



Among youths in Compassion's partner churches, **72%** attend church consistently. Church attendance of youths in the community, outside of our programs, is 64% by comparison.

For fiscal year 2020, we saw that an estimated **62%** of the families of our newly registered program beneficiaries live on less than \$3/day.

The average age of newly registered children was **3.3** years old, suggesting churches have been able to effectively identify some of the youngest children in their communities.

COVID-19 IMPACT ON OPERATIONS

The COVID-19 pandemic has touched every corner of the globe, and Compassion and our global partners have not been immune. It has been crucial during this time to adapt how Compassion and our frontline partners minister to children during this crisis. The mission has not changed, but many of the methods have. Compassion staff and volunteers are doing everything they can to minimize the impact to the children in their programs. To that end, Compassion temporarily closed the child development centers in most of our field countries, temporarily halting group activities. Workers are limiting personal contact to phone calls, messaging apps and home visits (when possible and safe) to deliver emergency supplies during this time of crisis.

In fiscal year 2020, frontline church partners around the world were able to access disaster relief funds to provide for families suffering from the impacts of the COVID-19 pandemic. Through June 2020, Compassion staff and volunteers at frontline church partners across the globe delivered 3.9 million food packs and 2.4 million hygiene kits and provided medical support to 170,000 children and their families during this difficult time.

**THE MISSION HAS NOT
CHANGED, BUT MANY
OF THE METHODS HAVE**

In addition to responding to evolving needs in the field, we have adapted and shifted marketing and fundraising models as well. Large events have been canceled, including concerts, festivals and church events, and there has been a shift to on-line sponsorships and fundraising. Despite this, our supporters continue to give generously, understanding that those in poverty have been particularly hard hit by the pandemic.

These consequences of the COVID-19 pandemic simultaneously challenge the foundational economics of funding and the economics of the children and their families who are most at risk. The steady advances made to reduce poverty are certain to now retreat, but the extent and impact are as uncertain as the long-term impact of the pandemic. UNICEF reported that an additional 6,000 children under age 5 could die per day due to the direct impact of COVID-19,⁶ and the World Bank has estimated that between 88 and 115 million MORE people worldwide will be pushed into extreme poverty.² Because of this, the 570 million children living in poverty currently will undoubtedly grow in direct correlation to the pandemic. This crisis will not subside soon or quickly, and yet the determination to assist the poor will likewise endure. Amid this new reality, new processes and new approaches are even now being attempted and put in place. We remain dedicated to fulfilling our mission even in this unprecedented uncertainty.



CRITICAL POLICIES AND STANDARDS



COMPASSION INTERNATIONAL IS INTENTIONAL IN ADDRESSING CRITICAL RISK FACTORS FACING OUR MINISTRY AND ESTABLISHING POLICIES TO GOVERN THE BEHAVIORS AND OPERATING ACTIVITIES OF OUR STAFF.

Certain policy statements and risk factors are highlighted below. Policies set forth Compassion International's intention, creed or philosophy concerning matters of importance. Global policies are ratified by the board of directors and acknowledged by the president and chief executive officer (CEO). Policies establish the governance and compliance expectations of the board of directors and leadership of the organization.



RISK MANAGEMENT

Compassion International operates in a global context with evolving threats and opportunities. Compassion's commitment to stewardship requires that the organization proactively manage the risks to the achievement of the mission and minimize the negative impact of disruptive events. To that end, Compassion International has established an independent enterprise risk management function to assist in assessing and managing risks. Risk appetite is expressed by the board of directors in terms of financial impact to the organization or damage to the reputation or mission of the organization. We take prudent measures to ensure that risks are managed within the limits and guardrails expressed by the board.

BUSINESS CONTINUITY

Disruptive events can occur at any time and may be caused by natural, environmental or human-caused events. Compassion International is committed to establishing and maintaining a comprehensive business continuity program that ensures the organization is prepared to continue operations following any event that threatens to disrupt the ongoing normal operations of the organization. Plans include the identification of critical business processes and capabilities and relevant recovery timeframes for the same, with a goal toward ensuring the creation of plans to achieve resiliency.

DATA PROTECTION AND PRIVACY

Compassion International is entrusted with the personal and private information of supporters, sponsors, donors, beneficiaries, employees, board members, volunteers and partners and is committed to protecting that information and complying with all applicable data protection laws across the globe. It is the policy of Compassion International to protect the personal data of these people groups and ensure that their rights are respected. Therefore, Compassion implements appropriate processes and security measures to preserve that privacy in compliance with all legal and regulatory requirements. Compassion International will report any data protection and privacy breaches to all appropriate parties.

FUNDS MANAGEMENT/MONITORING

It is the policy of Compassion International to conduct our fundraising with the highest standards of integrity. All funds will be used for the purposes for which they were raised or donated. Compassion International is committed to ensuring a stewardship-focused set of processes that will optimize the use of donated funds for our mission of releasing children from poverty in Jesus' name. Processes are intended to maintain a set of funds that balance the need of flexibility in programmatic use with the specificity needed to satisfy donors of its use. Funds received that are without donor restriction are maintained in an undesignated fund unless directed separately through designation by the board of directors. The delivery of funds for programmatic use will be conducted in a manner that gives precedence to using the most restricted funds available, thereby ensuring efficiency of fund use. Internal controls and mechanisms are in place to ensure ultimate use is in accordance with relevant fund definitions.

CASH AND INVESTMENT POLICY

The objective of Compassion's cash and investment management is to ensure adequate liquidity and safety of funds while achieving an appropriate return on the organization's cash assets. Compassion seeks to invest our portfolio and funds with the intent of outpacing or maintaining the rate of inflation. It pursues this primarily by employing appropriate asset allocation strategies for our investments, based on time horizon, cash flow expectations and risk tolerance.

Compassion ensures all financial activities are transacted through regulated markets and maintains adequate accountability regarding Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) and Anti-Bribery and Anti-Corruption. Investments are allowed in various asset categories, including cash and cash equivalents, investment-grade fixed asset securities and equity securities. Compassion International's investment portfolio is maintained under the direction and regular monitoring of the finance and audit committee of the board of directors.

CONFLICT OF INTEREST/RELATED PARTY POLICY

It is the desire of Compassion International to transact business on an ethical basis with all persons and firms with which it maintains business relationships. The policy of Compassion is that all board members and staff serve the interest of the organization in an unconflicted way. No board member, officer or employee of the organization worldwide shall benefit, either directly or indirectly, from any individual or group that conducts business with the organization. Transactions between related parties must not result in material conflicts of interest or give the appearance of resulting in such. Therefore, a board member or staff members who are related and involved in any way with transactions or potential transactions must abstain from the deliberation, drafting or execution of same. Processes are in place for the annual disclosure and ongoing monitoring of any known or potential conflicts of interest. Further, Compassion maintains a secure, confidential way to report ethical concerns or suspected violations of law and policy. Our goal is to ensure all stakeholders can communicate issues and concerns safely and honestly while maintaining anonymity and confidentiality.



COMPENSATION POLICY

Compassion International believes that each employee's presence and commitment to the mission flow out of a deep sense of God-given calling. As such, Compassion places a high value on all employees and desires to honor the biblical value of fairness in determining appropriate compensation for carrying out the work of the ministry (1 Timothy 5:18; Luke 10:7b; 1 Corinthians 9:9). Compassion also seeks to attract and retain exceptional people who can enhance and further the success of our ministry. While Compassion does not fundamentally use compensation as a motivator to generate performance, inequity and a lack of fair compensation can become a demotivating hindrance in carrying out the work of Compassion. Consequently, Compassion provides employees with total compensation that honors strong individual achievement and is competitive with nongovernmental organizational (NGO) pay in their respective labor markets. Management reviews compensation annually with consideration given to market analysis as well as local market forces and regulatory requirements. All salary administration and benefits practices consider the current financial resources of Compassion and its responsibility for financial stewardship.

Using analysis and recommendations from third-party compensation experts, the compensation committee of Compassion's board of directors is responsible for the annual recommendation of the salary and merit of the president/CEO, using, among other factors, comparable market analysis with other NGOs. Compassion's board of directors established a target of the 50th percentile of the relevant comparable NGO market for total compensation for all employees. The compensation committee also performs an annual review of the compensation for all disqualified global executives that have been determined by the president/CEO. Further, Compassion's board of directors receives an annual "reasonableness of compensation letter" from an independent third-party compensation firm after a thorough review of all executive compensation.

For more detailed information regarding executive compensation, please contact compensation.inquiries@us.ci.org.

BOARD ENGAGEMENT AND LEADERSHIP

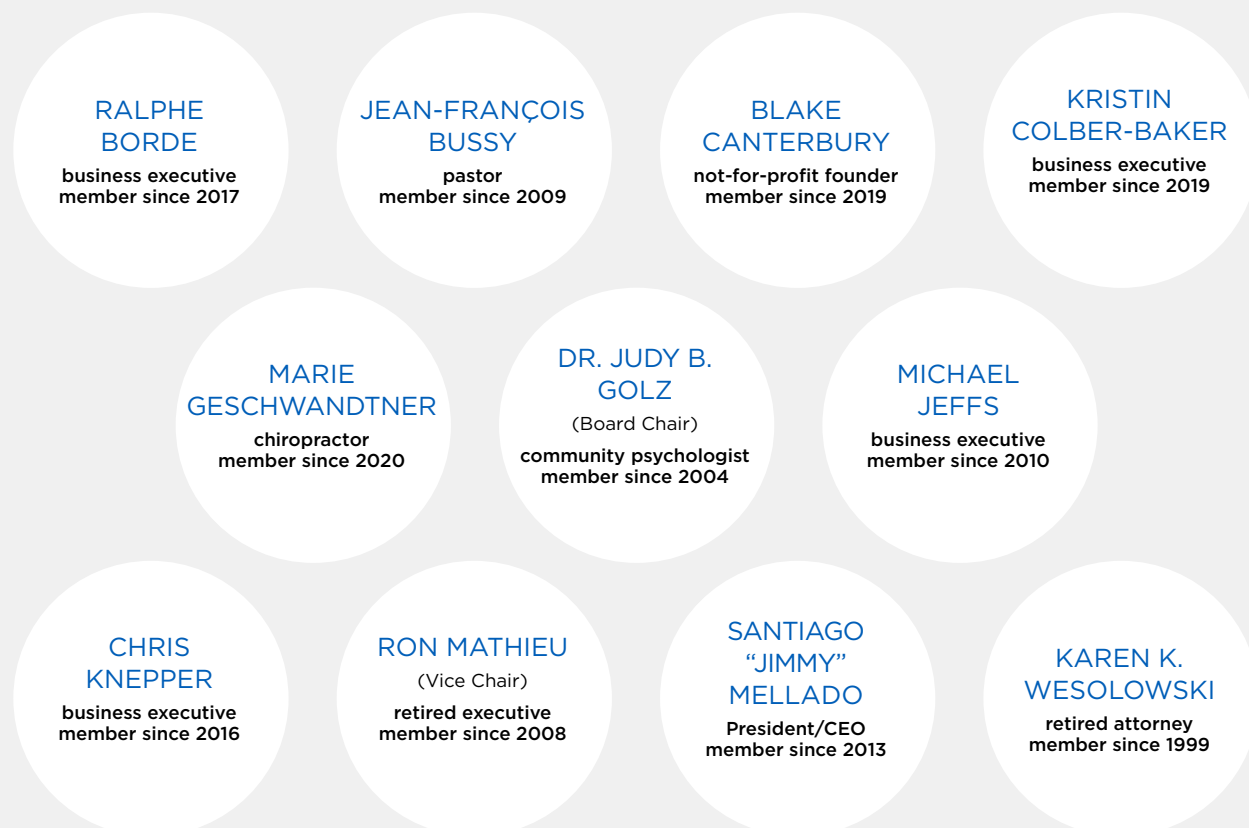


COMPASSION'S BOARD OF DIRECTORS

The board of directors serves to define and protect Compassion's mission. The board of directors has been given the legal, corporate authority and responsibility for overall direction and oversight of the operations of Compassion International. The primary duties of the board of directors include:

- Establishing the vision/mission, direction and values of the organization.
- Guiding the adoption of new policy and ensuring that all corporate activities are aligned with Compassion's strategic ministry objectives.
- Appointing the president as the CEO, delegating to him or her the responsibility for the administration of the organization and ultimately evaluating performance.
- Approving the budget and providing fiscal and fiduciary accountability for the assets and operations of the organization.
- Representing the diversity of the Compassion family worldwide and maintaining the unity of spirit and purpose across the whole organization.

Membership on the board of directors is a voluntary role. Members must be able to devote sufficient time and resources to accomplish the tasks and needs of the board of directors. We expect 100% attendance at all regularly scheduled meetings. Further, in order for the board of directors to make sound decisions regarding the international scope of the organization, it is important for them to see the depth and breadth of the programmatic work of Compassion International. Therefore, it is the policy to request that directors travel to observe programmatic implementation work on a regular basis. **The following individuals currently serve as members of Compassion's global board:**



COMPASSION'S GLOBAL EXECUTIVE TEAM

The Global Executive Team (GET) represents over 100 years of Compassion experience. Together, this team directs the work of Compassion's global staff in 26 countries and creates a culture of excellence and integrity that Compassion is known for around the world.

The GET meets several times each month to oversee the development and effectiveness of the worldwide ministry of Compassion. During these meetings it reviews operational and strategic issues and prays together as leaders for staff, sponsors and donors, children, and advocates.

While united by the mission of Compassion, each contributes their unique professional experience and expertise to Compassion's global ministry activities. The following provides a brief description and background of those contributions.



SANTIAGO "JIMMY" MELLADO

President and Chief Executive Officer

In addition to serving as the senior servant leader of Compassion International who models and safeguards its cultural values and behaviors, in his role as president and CEO, Santiago "Jimmy" Mellado is responsible to inspire and engage a wide array of stakeholders around a vision to fulfill the mission and to translate that vision into actionable strategies. Prior to joining Compassion International in June 2013 to serve as president and CEO, Jimmy had a 20-year tenure as president of the Willow Creek Association — a global ministry dedicated to helping local churches thrive. He is also a 1992 graduate of the Harvard Business School.



KEN CALWELL

Chief Marketing Officer and Senior Vice President of Innovation

In his role at Compassion since 2017, Ken Calwell is focused on attracting and engaging Compassion supporters. He is responsible for areas including fundraising, marketing, innovation and marketing operations. The marketing function is responsible for brand management, marketing strategy and planning, research and insights, product management and development, and experience design. Ken's experience in global executive leadership includes serving as chief marketing officer and executive vice president of research and development for Domino's Pizza, chief marketing officer and executive vice president/product development for Wendy's International, senior director of new product marketing for Pizza Hut, and CEO and president of Papa Murphy's International.



TOM BECK

Senior Vice President of Global Human Resources

Tom Beck is responsible for the attraction, selection, development and well-being of Compassion's global staff. His areas of responsibility include HR business partnership, benefits, compensation, global facilities, HR information systems and talent management, including talent acquisition and professional and leadership development. Formerly a consultant, he joined the ministry full time in 2013. Tom has more than two decades of robust leadership and operational experience. As a founding partner of Blockbuster Midwest and Boston Chicken, Inc., he was instrumental in launching the Blockbuster Video, Boston Market and Einstein Bagel franchises.



MARK HANLON

Senior Vice President of Global Philanthropic Engagement

Mark Hanlon's team is focused on generating resources beyond the scope of Compassion's current sponsorship offerings and establishing high-impact relationships to partner with Compassion for greater philanthropic engagement in a global context. Mark has served Compassion since 1978 in numerous roles, notably as previous senior vice president of Compassion USA and senior vice president of global marketing and engagement. He has been in his current role for 18 months.



ROBERT HAWKINS

*General Counsel and
Senior Vice President, and
Interim Chief Financial Officer*

As general counsel, Robert Hawkins is responsible for providing counsel and global leadership in the areas of legal services, risk management, audit, security, incidence response, governance and board engagement. In his interim role of chief financial officer, Robert is also responsible for the development of financial strategies and for leading the budgeting, controllership, treasury and financial reporting functions. Prior to joining Compassion's staff in June 2019, Robert provided legal services to Fortune 500 companies and served as the managing attorney at a firm he founded in 2009. In addition, Robert has over two decades of P&L management, financial planning and analysis experience, having served as an executive leader in billion-dollar organizations, including Time Warner and World Vision. Robert has also held roles as board chairman, chairman of the finance and audit committee and chairman of the compensation committee for Compassion International, having served on the Compassion board for 18 years.



PAM PARISIAN

Chief Information Officer

Pam Parisian is responsible for leading Compassion's global information technology team and driving the overall IT strategy that will take our ministry into the future. Prior to joining Compassion in September 2020, Pam served with AT&T for 39 years in a variety of roles, including vice president of IT integration, strategy and planning, then chief information officer and finally president of technology development. In this last role, she was responsible for the development and global operation of the 2,000 applications that support AT&T's consumer and enterprise businesses, as well as the platforms supporting human resources, finance, supply chain and network operations.



ELIZABETH URIYO

*Senior Vice President of the
Global Leadership Office*

Elizabeth Uriyo, Ph.D., provides day-to-day leadership and management of the global leadership office in addition to strategic vision. Her team is responsible for accelerating the delivery of value by driving alignment and integration to Compassion's strategy. This is done by serving global leadership with enterprise strategic planning and execution support while building trust and increasing engagement ministrywide through impactful global communications, meetings and events. Elizabeth joined Compassion in 2017 and came to her current role in 2018. She previously worked in the food industry for 20 years, where she held positions of increasing responsibility in research and development, leading basic and applied research to inform product and process innovation, renovation and cost optimization. In addition to her work with Compassion, Elizabeth is also devoted to identifying opportunities to build human capacity in Tanzania based on potential, not history, by investing in the development of people and of small- and medium-size enterprises.



SIDNEY MUISYO

*Senior Vice President
of Global Program*

Sidney Muisyo provides overall program leadership for all three global regions within Compassion's reach: Africa, Latin America/Caribbean and Asia. His four primary areas of leadership are program development, program strategy and operations, monitoring/evaluation/research/learning (MERL) and field line management. He began this role in July 2019. Sidney joined Compassion Kenya in 2002, serving in various roles, including communications specialist and manager of sponsor and donor ministries, before becoming the Africa regional vice president for Compassion International. Prior to working at Compassion, Sidney was the client services director for a large Kenyan consulting agency. He directed the agency's client-servicing strategy, which combined advertising, event management, public relations and marketing.

FISCAL YEAR HIGHLIGHTS AND OUTLOOK



THE FOLLOWING IS SELECT UNAUDITED FINANCIAL DATA RELATED TO COMPASSION INTERNATIONAL'S CONSOLIDATED OPERATING RESULTS.

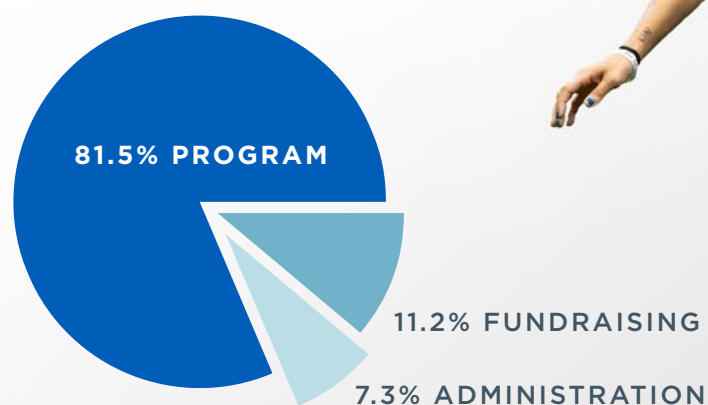
For further financial information, please reference the audited financial statements, along with accompanying notes to the financials, at compassion.com/finance.

FINANCIAL AND METRIC RESULTS

Compassion experienced a revenue growth of nearly 9% in FY20, reaching \$1 billion in total revenues for the first time in our history. That marked 21 years of consecutive revenue growth for the ministry. Compassion carefully governs our spending so that, from 1952 to date, Compassion's 1-to-1 sponsorship has touched the lives of more than 4.2 million children. At June 2020, Compassion supporters enabled the ministry to serve 2.2 million children registered in our program across 8,000 frontline church partners. Of those children, 1.9 million were linked with personal sponsors.

In the last half of fiscal year 2020, Compassion was not immune to the challenges presented by the global economy, including, but not limited to, fluctuations in the oil industry, reductions in Federal Reserve rates and impacts of the COVID-19 pandemic. Despite these challenges, Compassion International's cash position increased by approximately \$33 million over the prior year. At June 30, 2020, total cash and cash equivalents exceeded total liabilities. Working capital also grew from roughly \$175 million to \$187 million in the last 12 months, demonstrating Compassion's stable financial position.

For the past several years, Compassion International has followed practices in our budgeting and spend activities that have intentionally been designed to develop financial margin in our system. The building of financial reserves is critical to Compassion's ability to ensure the sustainability of programmatic activities through seasons of uncertainties outside of management's control including market and other external risks such as foreign currency exposures, economic downturn and global health crises, among others. Unrestricted reserves at June 30, 2020, totaled \$119.8 million. These reserves allow Compassion International to weather the impact of unforeseen circumstances and have served well during the COVID-19 pandemic. While the impact of the global health crisis continues to unfold, Compassion has developed operating plans for the next three years that are supported by our current financial position.



CONDENSED FINANCIALS AND LIQUIDITY (UNAUDITED)

| REVENUES ⁷ | FY20 | FY19 |
|---|------------------------|----------------------|
| Child Sponsorship Contributions | \$755,471,000 | \$733,869,000 |
| Other Contributions (Survival, Complimentary Interventions) | \$237,420,000 | \$214,047,000 |
| Other Net Revenue (Investment Income, Foreign Currency Gain/Loss) | \$8,309,000 | \$11,725,000 |
| Total Revenue | \$1,001,200,000 | \$959,641,000 |
| EXPENSES ⁸ | FY20 | FY19 |
| PROGRAM | | |
| Grant Expenses | \$681,757,000 | \$634,998,000 |
| Program Delivery | \$132,172,000 | \$129,550,000 |
| Total Program | \$813,929,000 | \$764,548,000 |
| SUPPORTING ACTIVITIES | | |
| Fundraising | \$111,766,000 | \$92,806,000 |
| Management and General Administration | \$73,485,000 | \$75,613,000 |
| Total Supporting | \$185,251,000 | \$168,419,000 |
| Total Expenses | \$999,180,000 | \$932,967,000 |
| Change in Net Assets (Total Revenue Minus Total Expenses) | \$2,020,000 | \$26,674,000 |
| SELECT DATA | FY20 | FY19 |
| Cash, Cash Equivalents and Restricted Cash | \$196,057,000 | \$162,574,000 |
| Unrestricted Reserves | \$119,799,000 | \$96,435,000 |
| Total Net Assets | \$270,726,000 | \$268,706,000 |
| KEY METRICS | FY20 | FY19 |
| Total Ending Registered Beneficiaries | 2,204,786 | 2,100,921 |
| Fundraising Efficiency Ratio ⁹ | 8.9 | 10.2 |
| Contribution Growth Rate | 4.7% | 6.9% |
| Grant Growth Rate | 7.4% | 7.9% |
| Program Ratio ¹⁰ | 81.5% | 82.0% |

THANK YOU

On behalf of CI's board of directors, I'd like to express my gratitude for all the ways Compassion is helping to release children from poverty in Jesus' name during these challenging times. The ministry is innovating and adapting to the unprecedented needs brought on by COVID-19, and that's allowing us to continue meeting many of the most urgent needs of the children and families we serve.

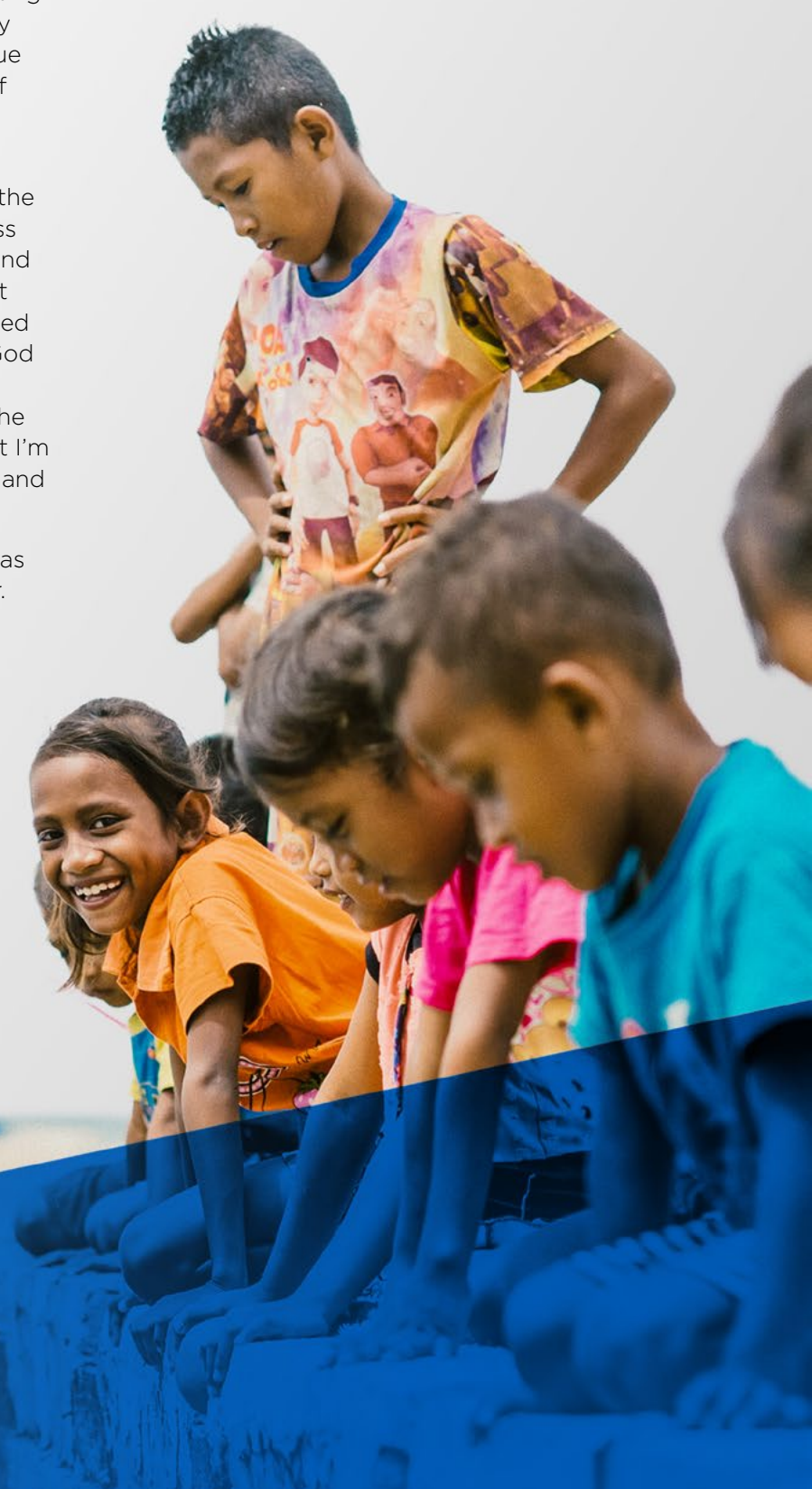
As this occurs, Compassion's leadership is also focused on charting a clear path into the future so we can reach more children in less time — all while serving our stakeholders and partners with excellence. I'm confident that this strategic, results-oriented focus, coupled with sound stewardship of the resources God has blessed us with, will help ensure Compassion makes an even greater impact in the years ahead. There is much work to do, but I'm truly excited to see what God will do in us and through us in the days ahead.

Thank you for your wonderful partnership as we continue to make a difference together.

May the Lord bless you,



Dr. Judy B. Golz
Board Chair, Compassion International



ENDNOTES

¹The World Bank, Health, Nutrition and Population Statistics, accessed September 8, 2020, <https://databank.worldbank.org/source/health-nutrition-and-population-statistics>

²“Reversals of Fortune,” World Bank, accessed October 12, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34496/9781464816024.pdf>

³Frontline church partners are the local churches in developing nations with which Compassion works to deliver child development and ministry in the field, including churches that have a Child Survival Program.

⁴OECD (2020), 2017 “Detailed aid statistics: Official and private flows,” OECD International Development Statistics database, accessed August 26, 2020, <https://doi.org/10.1787/data-00072-en>

⁵Highly Vulnerable Children’s Care was created to assist Compassion’s most vulnerable beneficiaries. The primary objective of this program is to provide emergency and supplemental interventions that are not present in core programs. These interventions are also required to stabilize beneficiaries to ensure that they remain involved in core program activities and show progress toward achieving outcomes.

⁶“As COVID-19 devastates already fragile health systems, over 6,000 additional children under five could die a day, without urgent action.” UNICEF, published May 13, 2020, <https://www.unicef.org/press-releases/covid-19-devastates-already-fragile-health-systems-over-6000-additional-children>

⁷Contributions are recorded as revenue when received without donor-imposed conditions or when donor-imposed conditions are substantially met. Child sponsorships and other monthly commitments are considered conditional until payment is received. Other contributions include amounts received for the Survival Program or Complementary Interventions or contributed without donor intent. Lastly, Compassion receives other net revenues primarily in the form of investment income, sublease income and gains/losses in foreign currency transactions.

⁸The cost of providing the various programs and supporting services has been summarized on a functional basis. Program costs are recognized both as grants to third parties as well as program delivery costs related to program development, insights and implementation. Supporting services are divided among those costs specific to fundraising versus all other management and supporting activities. Expenses directly attributable to a specific functional area of Compassion are reported as costs of those functional areas. Accordingly, certain costs have been allocated among program and supporting services benefited. Costs allocated primarily include facilities, information technology, and donor servicing and communications.

⁹The fundraising efficiency ratio is used to measure how effectively an organization is at raising contributions. It is calculated by dividing total contributions less other net revenue by total fundraising expenses. The decline in Compassion’s ratio during fiscal year 2020 is due to the impact of the COVID-19 pandemic on planned fundraising events for which the ministry had already expended funds. This ratio is expected to rebound to prior levels as fundraising activities adapt to current operating realities.

¹⁰The program ratio measures the relationship between amounts an organization devotes directly to the deployment of its primary mission to those required to operate the organization overall. It is calculated by dividing program expenses by total expenses.